

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Assembly Rev. & Tax. Analyst: Jeani Brent Bill Number: AB 2809

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 08/24/98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Economic Development Areas/Hiring Credit for Seasonal Employees/NOL
Separate Sections/LARZ NOL Sunset Date Technical Change/AB 2798 Clean-up

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED March 24, 1998, and AMENDED April 27, 1998, July 2, 1998, and August 12, 1998, STILL APPLY.

☒ OTHER - See comments below.

SUMMARY OF BILL

This bill, sponsored by the Franchise Tax Board, would correct a chaptering error by reinstating the December 1, 1998, sunset date of the Los Angeles Revitalization Zone (LARZ) net operating loss (NOL) as enacted by AB 18 (Stats. 1993, Ch. 18). Additionally, to prevent potential future chaptering problems with the various economic development area NOL provisions, this bill would place each economic development area NOL provision into a separate code section, rather than in a subdivision of the same code section.

This bill also would change the economic development area hiring credits by clarifying that the reemployment of seasonal employees shall not constitute commencement of employment. Instead, these employees would be considered continuously employed for purposes of the credit computation. Further, the bill would provide that the recapture rules apply to credits taken for wages paid to any seasonal employee who is not rehired in the applicable subsequent seasons. The bill would define "seasonal employment."

This bill also would clean up a technical issue made necessary by the enactment of AB 2798 (Stats. 1998, Ch. 323) and would provide language to double-join this bill to AB 3.

SUMMARY OF AMENDMENT

The August 24, 1998, amendment added the language to clean up a technical issue made necessary by the enactment of AB 2798 (Stats. 1998, Ch. 323) and to double-join this bill to AB 3. The double-joining issue is purely technical and is not discussed in this analysis. The AB 2798 clean-up is discussed below.

The department's analysis of the bill as introduced and as amended April 27, 1998, July 2, 1998, and August 12, 1998, still apply.

Board Position:

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Department/Legislative Director

Date

Johnnie Lou Rosas

9/11/98

AB 2798 CLEAN-UP

SPECIFIC FINDINGS

This bill would make a technical clean-up change made necessary by the enactment of AB 2798 (Stats. 1998, Ch. 323). AB 2798, as enacted, modified the apportionment formula for all other economic development area tax incentives, including the LAMBRA net operating loss, but inadvertently left out the modifications for the apportionment formula for the LAMBRA tax credits. This provision would make the appropriate apportionment formula changes to the LAMBRA hiring credit.

Policy Consideration

The AB 2798 clean-up provision would aid the administration of the law by simplifying reporting requirements for LAMBRA taxpayers and alleviating any potential confusion that may result from these technical issues.

Implementation Considerations

Implementing this provision would not affect the department's programs and operations.

FISCAL IMPACT

Departmental Costs

No departmental costs are associated with this provision.

Tax Revenue Estimate

Any tax revenue impact of modifying the apportionment formula for the LAMBRA tax credits would result from the adoption of AB 2798.